



Dr. Beyers Naudé

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Dr Beyers Naude Local Municipality

Annual Financial Statements

for the year ended 30 June 2019

Auditor General of South Africa

Dr Beyers Naude Local Municipality

(Registration number EC 101)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

The entity functions as local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.

Nature of business and principal activities

Dr Beyers Naude Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act No. 117 of 1998). The Municipality's operations are governed by: Municipal Finance Management Act 56 of 2003, Municipal Structure Act 117 of 1998, Municipal Systems Act 32 of 2000 and various other Acts and regulations.

Mayoral committee

Executive Mayor

Cllr D.W.S De Vos

Speaker

Cllr T.L Nonnies

Executive Committee

Cllr P.W Koeberg

Cllr S.J Graham

Cllr N.P Vanda

Cllr E.L Looock

Councillors

Cllr D Williams

Cllr E.A Ruiters

Cllr W.Z Le Grange

Cllr A. Mboneni

Cllr E.A Carolus

Cllr A Booysen

Cllr H Booysen

Cllr B.W Seekoei

Cllr W.J Safers (MPAC Chairperson)

Cllr L.M Botha

Cllr K Hoffman

Cllr X.N Galada

Cllr G.C Mackelina

Cllr T.M Tshona

Cllr R.B Jacobs

Cllr P Bees

Cllr L.L Langeveldt

Cllr A Arries

Cllr D.J Bezuidenhout

Cllr E.V.R Rossouw

Cllr J.J Williams

Grading of local authority

Grade Three (3)

Accounting Officer

Dr. E.M Rankwana

Chief Finance Officer (CFO)

H. Kok

Registered office

PO Box 71
Graaff Reinett
6280

Business address

12 - 14 Caledon Street
Graaff Reinet
6280

Dr Beyers Naude Local Municipality

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General Information

Bankers

First National Bank

Auditors

Auditor General of South Africa

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ASB	Accounting Standards Board
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
SDL	Skills Development Levy
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position considering the amalgamation of Camdeboo Local Municipality, Ikwezi Local Municipality and Baviaans Local Municipality to form Dr Beyers Naude Local Municipality post the local elections of August 2016, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The councillors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a).

The annual financial statements set out on pages 5 to 65, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed by him:



Dr E.M Rankwana
Municipal Manager

Dr Beyers Naude Local Municipality

(Registration number EC 101)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
VAT receivable	3	13 684 799	2 131 066
Inventories	4	5 692 015	6 943 507
Other Receivables	5	3 681 027	3 716 731
Receivables from non-exchange transactions	6	3 856 579	5 100 186
Receivables from exchange Transactions	7	16 296 017	22 648 799
Cash and cash equivalents	8	24 312 902	2 028 090
		67 523 339	42 568 379
Non-Current Assets			
Investment property	9	67 783 409	67 783 409
Property, plant and equipment	10	1 081 321 931	1 099 418 333
Intangible assets	11	88 434	155 558
Heritage assets	12	13 452 791	13 452 791
		1 162 646 565	1 180 810 091
Total Assets		1 230 169 904	1 223 378 470
Liabilities			
Current Liabilities			
Other financial liabilities	13	20 000 000	-
Payables from exchange transactions	14	174 136 370	121 846 045
Payables from non-exchange transactions	15	1 543 399	5 211 804
Consumer deposits	16	3 316 576	2 996 797
Unspent conditional grants and receipts	17	26 455 177	2 535 506
Provisions	18	534 502	127 303
Employee benefit obligation	19	2 992 708	3 199 659
		228 978 732	135 917 114
Non-Current Liabilities			
Provisions	18	22 615 000	21 652 000
Employee benefit obligation	19	60 303 039	46 172 111
		82 918 039	67 824 111
Total Liabilities		311 896 771	203 741 225
Net Assets		918 273 133	1 019 637 245
Accumulated surplus		918 273 133	1 019 637 245

* See Note 42

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	149 626 650	138 077 546
Agency services	21	1 873 578	1 480 225
Interest received	22	5 416 245	9 527 919
Interest received - investment	22	633 552	1 919 091
Rental of facilities and equipment	23	855 164	798 239
Other Revenue	24	5 571 157	3 508 104
Licences and permits	25	1 066 277	904 383
Gain on disposal of assets and liabilities	39	583 068	-
Total revenue from exchange transactions		165 625 691	156 215 507
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	30 162 310	28 199 360
Transfer revenue			
Fines, Penalties and Forfeits	27	20 733	79 344
Government grants & subsidies	28	146 486 271	170 187 176
Public contributions and donations	29	1 031 996	-
Total revenue from non-exchange transactions		177 701 310	198 465 880
Total revenue		343 327 001	354 681 387
Expenditure			
Employee related costs	30	(159 348 242)	(138 159 291)
Remuneration of councillors	31	(9 369 934)	(9 324 299)
Debt Impairment	32	(37 060 270)	(10 076 904)
Depreciation and amortisation	33	(55 907 113)	(62 955 860)
Impairment loss	34	(434 705)	-
Finance costs	35	(6 987 979)	(7 238 459)
Bulk purchases	36	(89 282 025)	(81 207 643)
General Expenses	37	(62 524 840)	(88 342 657)
Contracted services	38	(15 089 863)	(5 965 416)
Loss on disposal of assets and liabilities	39	-	(598 840)
Total expenditure		(436 004 971)	(403 869 369)
Deficit before actuarial (loss)/gain and Release from obligation		(92 677 970)	(49 187 982)
Actuarial (loss) / gain and Release from obligation	40	(8 667 947)	3 556 944
Deficit for the year		(101 345 917)	(45 631 038)

* See Note 42

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 058 065 985	1 058 065 985
Adjustments		
Correction of errors	7 202 297	7 202 297
Balance at 01 July 2017 as restated*	1 065 268 283	1 065 268 283
Changes in net assets		
Deficit for the year	(45 631 038)	(45 631 038)
Total changes	(45 631 038)	(45 631 038)
Restated* Balance at 01 July 2018	1 019 619 050	1 019 619 050
Changes in net assets		
Deficit for the year	(101 345 917)	(101 345 917)
Total changes	(101 345 917)	(101 345 917)
Balance at 30 June 2019	918 273 133	918 273 133

Note(s)

* See Note 42

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Other receipts		10 571 143	10 304 752
Rates and Services		138 807 049	143 364 426
Government grants & services		146 486 271	170 187 176
Interest on investments		633 552	1 919 091
Interest income - Debtors		5 416 245	9 550 406
		<u>301 914 260</u>	<u>335 325 851</u>
Payments			
Employee costs		(162 721 610)	(145 025 972)
Suppliers		(95 704 525)	(154 844 245)
Finance costs		(6 987 979)	(7 238 459)
		<u>(265 414 114)</u>	<u>(307 108 676)</u>
Net cash flows from operating activities	41	<u>36 500 146</u>	<u>28 217 175</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(34 215 334)	(53 459 026)
Proceeds from sale of property, plant and equipment	10	-	10 100
Net cash flows from investing activities		<u>(34 215 334)</u>	<u>(53 448 926)</u>
Cash flows from financing activities			
Movement in financial liabilities		20 000 000	-
Finance lease payments		-	(194 770)
Net cash flows from financing activities		<u>20 000 000</u>	<u>(194 770)</u>
Net increase/(decrease) in cash and cash equivalents		22 284 812	(25 426 521)
Cash and cash equivalents at the beginning of the year		2 028 090	27 454 611
Cash and cash equivalents at the end of the year	8	<u>24 312 902</u>	<u>2 028 090</u>

* See Note 42

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Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	148 783 408	17 091 954	165 875 362	149 626 650	(16 248 712)	N1
Rental of facilities and equipment	849 025	18 393	867 418	855 164	(12 254)	
Interest received (trading)	11 728 707	(5 622 774)	6 105 933	5 416 245	(689 688)	N2.
Agency services	2 681 642	149 802	2 831 444	1 873 578	(957 866)	N3
Licences and permits	1 500 972	(245 170)	1 255 802	1 066 277	(189 525)	N4
Miscellaneous other revenue	-	-	-	5 571 157	5 571 157	
Other income	5 116 883	202 691	5 319 574	-	(5 319 574)	N5
Gains on disposal of assets	-	-	-	633 552	633 552	N6
Total revenue from exchange transactions	170 660 637	11 594 896	182 255 533	165 042 623	(17 212 910)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	29 579 265	(3 603 260)	25 976 005	30 162 310	4 186 305	N7
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Transfer revenue

Government grants & subsidies	141 958 111	23 540 719	165 498 830	146 486 271	(19 012 559)	N8
Public contributions and donations	-	-	-	1 031 996	1 031 996	
Fines, Penalties and Forfeits	120 893	(95 000)	25 893	20 733	(5 160)	
Total revenue from non-exchange transactions	171 658 269	19 842 459	191 500 728	177 701 310	(13 799 418)	

Total revenue	342 318 906	31 437 355	373 756 261	342 743 933	(31 012 328)	
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Expenditure

Employee related costs	(136 617 502)	(17 346 367)	(153 963 869)	(159 348 242)	(5 384 373)	N9
Remuneration of councillors	(9 883 760)	671 263	(9 212 497)	(9 369 934)	(157 437)	
Depreciation and amortisation	(35 452 742)	(30 395 821)	(65 848 563)	(55 907 113)	9 941 450	N10
Impairment loss/ Reversal of impairments	-	-	-	(434 705)	(434 705)	
Finance costs	(5 575 600)	2 787 800	(2 787 800)	(6 987 979)	(4 200 179)	N11
Debt Impairment	(3 500 000)	(2 063 000)	(5 563 000)	(37 060 270)	(31 497 270)	N12
Bulk purchases	(82 368 100)	-	(82 368 100)	(89 282 025)	(6 913 925)	
Contracted Services	(15 941 000)	2 723 000	(13 218 000)	(15 089 863)	(1 871 863)	N13
General Expenses	(76 712 127)	28 362 047	(48 350 080)	(62 524 840)	(14 174 760)	N14
Total expenditure	(366 050 831)	(15 261 078)	(381 311 909)	(436 004 971)	(54 693 062)	

Operating deficit	(23 731 925)	16 176 277	(7 555 648)	(93 261 038)	(85 705 390)	
Gain on disposal of assets and liabilities	-	-	-	583 068	583 068	

Operating deficit before actuarial gain /(Loss)	(23 731 925)	16 176 277	(7 555 648)	(92 677 970)	(85 122 322)	
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Deficit for the year from continuing operations	(23 731 925)	16 176 277	(7 555 648)	(92 677 970)	(85 122 322)	
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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actuarial gain (loss) and Release from obligation	-	-	-	(8 667 947)	(8 667 947)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(23 731 925)	16 176 277	(7 555 648)	(101 345 917)	(93 790 269)	

N1 - The municipality has been experiencing severe drought during the financial year which had left some areas within the municipality without water supply, thus consumption and billing was negatively affected. .

N2 - Due to the severe droughts experienced, billing was negatively affected.

N3 - The traffic departments Vehicle roadworthy testing machine was not in a working condition for a significant part of the financial year.

N4 - The traffic departments Vehicle roadworthy testing machine was not in a working condition for a significant part of the financial year.

N5 - decrease in various income sources like Tender deposits and Sales of Avgas because of decrease in procurement due to cash flow challenges.

N6 - Proceeds from disposal of portions of commonage land.

N7 - Error in forecasting budget resulting in decrease of anticipated revenue for property rates.

N8 - Reduction of MIG allocation during the financial year and the drought relief grant was not spent in full at year end, thus the municipality has applied for a rollover.

N9 - Overtime was more than anticipated.

N10 - Anticipated additions to Property Plant and Equipment not realising due to reduction in grant allocation.

N11 - Defaulting on the payment of Eskom as a result of cashflow challenges, however repayment arrangement in place with implementation of debt recovery plan.

N12 - Error in forecasting budget and poor debt collection resulting in impaired debt.

N13 - Error in forecasting budget for Eskom tariff increases.

N14 - Error in forecasting adjustment budget due to cost containment measures, however contractual obligations had to be met.

N15 - Error in forecasting adjustment budget due to cost containment measures, however contractual obligations had to be met.

N16 - The nature of actuarial calculations are unpredictable and specialised. Thus the municipality was unable to budget for this item.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements are disclosed below:

The accounting policies are consistent with the previous period but the wording has since been amended and inclusion of required paragraphs has since been included.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Budget information

Budget information is in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior year comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 42 to the financial statements.

1.5 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future period.

Judgements

In the process of applying these accounting policies, management has made the following judgement that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for Trade receivables is calculated based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amounts.

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amount that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Pension and other post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles, so that the effect of any impairment on a group of receivables would not differ materially from the impairment, that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about probability of recovery of the debtors based on their past payment history and risk profile.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Significant judgements and sources of estimation uncertainty (continued)

Provision for rehabilitation of refuse landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and the discounted to their present value using an appropriate discount rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

The value of water inventory is calculated by considering the quantity of water in the pipes and is estimated based on the dimensions/ measurements of the pipes and the average cost per KL.

1.7 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent Measurement - Cost Model

Subsequent to initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Items useful life:

- Land - Indefinite
- Buildings - 30 years

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Accounting Policies

1.7 Investment property (continued)

Land is not depreciated as it is considered to have an indefinite useful life.

Impairments

The entity test for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an investment property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of retirement or disposal.

1.8 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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1.8 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

Subsequent expenditure

Where the municipality replaces part of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except land which is carried at cost.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	30 - 100 years
Infrastructure		
• Roads and paving	Straight line	50 years
• Water	Straight line	15 - 20 years
• Electricity	Straight line	20 - 30 years
• Sewerage	Straight line	15 - 20 years
• Landfill sites	Straight line	30 years
Community		
• Recreational facilities	Straight line	20-50 years
Other property, plant and equipment		
• Specialised vehicles	Straight line	10 years
• Other vehicles	Straight line	5 years
• Office equipment	Straight line	3 - 7 years
• Furniture and Fittings	Straight line	7 - 20 years
• Airports	Straight line	15 years
• Computer equipments	Straight line	3 - 7 years
• Cemeteries	Straight line	25 - 30 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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1.8 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.9 Intangible assets

An Intangible asset is an identifiable non-monetary asset without physical existence. An intangible asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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1.9 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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Accounting Policies

1.10 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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Accounting Policies

1.10 Financial instruments (continued)

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

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1.12 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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1.14 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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1.15 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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Accounting Policies

1.19 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.20 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements .

1.21 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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Accounting Policies

1.22 Events after reporting date (continued)

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.23 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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Notes to the Annual Financial Statements

Figures in Rand

2019

2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Boards, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 01 April 2019

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

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2. New standards and interpretations (continued)

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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Figures in Rand	2019	2018
3. VAT receivable		
VAT	13 684 799	2 131 066
4. Inventories		
Consumable stores	3 287 441	4 301 565
Unsold Properties Held for Resale	1 514 822	1 514 822
Water	889 752	1 127 120
	5 692 015	6 943 507
5. Other Receivables		
Sundry deposits	290 900	290 900
Sundry debtors	225 074	160 520
Meter readings not yet billed	3 165 053	3 265 311
	3 681 027	3 716 731
6. Receivables from non-exchange transactions		
Consumer debtors - Rates	3 856 579	5 100 186
Gross balances		
Rates	16 783 317	16 071 271
Less: Allowance for impairment	(12 926 738)	(10 971 085)
Net balance	3 856 579	5 100 186
Ageing		
Current (0-30 days)	979 906	888 303
31 - 60 days	397 890	276 652
61 - 90 days	340 716	238 180
91 - 120 days	347 329	205 384
121 days +	14 717 476	14 462 752
	16 783 317	16 071 271

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Receivables from non-exchange transactions (continued)		
Summary of debtors by customers classification		
Residential		
Current (0 - 30 days)	695 196	602 148
31 - 60 days	231 705	171 174
61 - 90 days	196 055	125 225
91 - 120 days	207 653	110 143
121 days +	6 947 851	5 107 612
	8 278 460	6 116 302
Industrial/ commercial		
Current (0 - 30 days)	283 548	253 914
31 - 60 days	116 404	92 925
61 - 90 days	95 777	84 897
91 - 120 days	91 719	83 524
121 days +	6 485 679	6 236 090
	7 073 127	6 751 350
National and provincial government		
Current (0 - 30 days)	(50 635)	32 049
31 - 60 days	1 958	12 552
61 - 90 days	1 958	28 059
91 - 120 days	1 958	11 717
121days +	1 472 482	3 119 050
	1 427 721	3 203 427
Total		
Current (0 - 30 days)	874 441	888 303
31 - 60 days	297 358	276 652
61 - 90 days	242 359	238 180
91 - 120 days	242 494	205 384
121 days +	15 126 665	14 462 752
Less: Impairment	(12 926 738)	(10 971 085)
	3 856 579	5 100 186
Total debtors past due but not impaired		
61 - 90 days	104 184	97 784
91 - 120 days	71 764	55 262
120 days +	2 760 167	4 066 819
Reconciliation of allowance for impairment		
Balance at beginning of the year	(10 971 085)	(20 436 496)
Bad debts written off against allowance	496 413	11 898 267
Current year's impairment	(2 452 067)	(2 432 856)
	(12 926 739)	(10 971 085)

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Receivables from exchange transactions		
Gross balances		
Electricity	9 157 356	8 014 102
Water	26 131 736	14 960 280
Sewerage	11 174 974	8 899 896
Refuse	13 622 312	7 820 982
Housing	181 919	204 005
Sundry	3 094 873	2 677 583
	63 363 170	42 576 848
Less: Allowance for impairment		
Electricity	(2 025 396)	(1 532 916)
Water	(20 375 315)	(8 667 939)
Sewerage	(10 014 715)	(3 591 351)
Refuse	(11 997 582)	(4 036 099)
Housing	(180 242)	(107 391)
Sundry	(2 473 903)	(1 992 353)
	(47 067 153)	(19 928 049)
Net balance		
Electricity	7 131 960	6 481 186
Water	5 756 421	6 292 341
Sewerage	1 160 259	5 308 545
Refuse	1 624 730	3 784 883
Housing	1 677	96 614
Sundry	620 970	685 230
	16 296 017	22 648 799
Electricity		
Current (0 -30 days)	4 871 439	4 845 013
31 - 60 days	872 165	720 445
61 - 90 days	585 953	178 786
91 - 120 days	426 595	164 777
120 days +	2 401 205	2 105 082
	9 157 357	8 014 103
Water		
Current (0 -30 days)	1 602 108	1 829 587
31 - 60 days	2 775 027	1 206 454
61 - 90 days	1 513 530	914 319
91 - 120 days	1 041 373	904 956
120 days +	19 199 498	10 104 966
	26 131 536	14 960 282
Sewerage		
Current (0 -30 days)	851 802	682 937
31 - 60 days	562 980	456 424
61 - 90 days	524 976	365 858
91 - 120 days	583 146	339 544
120 days +	8 652 070	7 055 133
	11 174 974	8 899 896

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	1 008 788	614 756
31 - 60 days	753 973	462 472
61 - 90 days	708 737	413 462
91 - 120 days	694 781	396 141
120 days +	10 456 033	5 934 151
	13 622 312	7 820 982
Housing rental		
Current (0 -30 days)	436	-
31 - 60 days	436	-
61 - 90 days	436	-
91 - 120 days	436	-
120 days +	180 173	204 005
	181 917	204 005
Sundry		
Current (0 -30 days)	141 318	107 848
31 - 60 days	100 082	71 726
61 - 90 days	79 350	37 421
91 - 120 days	85 567	60 822
120 days +	2 688 556	2 399 766
	3 094 873	2 677 583

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	4 111 010	3 407 066
31 - 60 days	2 524 544	1 938 563
61 - 90 days	2 298 890	1 601 620
91 - 120 days	2 133 809	1 589 587
120 days +	34 462 227	20 192 017
	45 530 480	28 728 853
Industrial/ commercial		
Current (0 -30 days)	3 277 622	3 360 077
31 - 60 days	382 352	257 136
61 - 90 days	164 911	115 575
91 - 120 days	144 815	143 192
120 days +	4 785 266	4 479 705
	8 754 966	8 355 685
National and provincial government		
Current (0 -30 days)	1 096 849	1 312 998
31 - 60 days	2 156 348	721 822
61 - 90 days	927 235	192 650
91 - 120 days	531 953	133 461
120 days +	4 324 336	3 131 380
	9 036 721	5 492 311
Total		
Current (0 -30 days)	8 118 568	8 080 140
31 - 60 days	4 745 847	2 917 521
61 - 90 days	3 153 871	1 909 845
91 - 120 days	2 493 750	1 866 240
120 days +	44 851 134	27 803 102
	63 363 170	42 576 848
Less: Allowance for impairment	(47 067 153)	(19 928 049)
	16 296 017	22 648 799
Impairment:	(47 067 153)	(19 928 049)
Total debtor past due but not impaired		
61 - 90 days	1 242 922	1 179 988
91 - 120 days	702 054	1 053 772
120 days +	5 080 848	11 208 282
	7 025 824	13 442 042
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 928 049)	(95 409 198)
Bad debts written off against allowance	2 363 738	81 765 530
Current year's impairment	(29 502 842)	(6 284 381)
	(47 067 153)	(19 928 049)

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 955	2 955
Bank balances	1 182 399	1 022 329
Short-term deposits	23 127 548	1 002 806
	24 312 902	2 028 090

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
FNB - 52300007898	973 292	470 091	1 182 399	1 022 329
FNB - Call account - 62374218503	22 145 771	-	22 145 771	-
ABSA - 4053048940	-	81 823	2 938	-
ABSA - Cheque Account - 4053623514	81 920	239 703	3 894	-
ABSA - Cheque Account - 4053099797	-	-	-	-
Standard Bank - Cheque Account - 280252013	21 394	47 709	-	-
Standard Bank - Cheque Account - 280230893	88 341	19 220	-	-
ABSA Investments - 9257114251	25 458	23 705	25 458	23 705
FNB Investments - 62374218503	-	-	-	90 388
FNB Investments - 74374220066	935 152	972 270	935 152	972 270
Investec - 1100458805501	-	-	-	2 938
Standard Bank - Trust fund - 3/288885537/001	-	-	-	(86 495)
Standard Bank - Money Market - 288865316-1	-	-	-	-
Standard Bank - Money Market - 288865316-2	-	-	-	-
Standard Bank - Money Market - 288865316-3	-	-	-	-
Standard Bank - Money Market - 288865316-4	-	-	-	-
Standard Bank - Money Market - 288865316-5	-	-	-	-
Standard bank - FMG Call account - 588476692/002	11 427	-	11 427	-
Standard bank - FMG Call account - 588476692/003	2 908	-	2 908	-
Total	24 285 663	1 854 521	24 309 947	2 025 135

9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	67 783 409	-	67 783 409	67 783 409	-	67 783 409

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	67 783 409	67 783 409

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	67 783 409	67 783 409

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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9. Investment property (continued)

Total Cost of investment properties	67 783 409	67 783 409
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

All of the Municipality's investment property is held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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10. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	119 097 959	-	119 097 959	119 097 959	-	119 097 959
Buildings	50 069 491	(7 921 227)	42 148 264	50 069 491	(5 299 029)	44 770 462
Infrastructure	952 179 964	(161 467 627)	790 712 337	926 857 753	(112 580 183)	814 277 570
Community	11 470 802	(1 429 111)	10 041 691	11 470 802	(1 002 311)	10 468 491
Work-in-progress	89 787 051	-	89 787 051	81 293 614	-	81 293 614
Landfill sites	15 327 473	(1 497 046)	13 830 427	15 006 905	(930 971)	14 075 934
Other assets	26 361 611	(10 657 409)	15 704 202	22 889 105	(7 454 802)	15 434 303
Total	1 264 294 351	(182 972 420)	1 081 321 931	1 226 685 629	(127 267 296)	1 099 418 333

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Impairment	Additions through transfers from WIP	Depreciation	Total
Land	119 097 959	-	-	-	-	119 097 959
Buildings	44 770 462	-	-	-	(2 622 198)	42 148 264
Infrastructure	814 277 570	8 457 240	(434 705)	17 435 385	(49 023 153)	790 712 337
Community	10 468 491	-	-	-	(426 800)	10 041 691
Work-in-progress	81 293 614	26 211 518	-	(17 718 081)	-	89 787 051
Landfill sites	14 075 934	-	-	319 697	(565 204)	13 830 427
Other assets	15 434 303	3 472 505	-	-	(3 202 606)	15 704 202
	1 099 418 333	38 141 263	(434 705)	37 001	(55 839 961)	1 081 321 931

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Derecognition	Additions through transfers from WIP	Depreciation	Total
Land	119 097 959	-	-	-	-	119 097 959
Buildings	47 392 660	-	-	-	(2 622 198)	44 770 462
Infrastructure	829 606 971	13 931 333	(608 940)	27 523 779	(56 175 573)	814 277 570
Community	10 895 292	-	-	-	(426 801)	10 468 491
Work-in-progress	78 601 675	30 215 718	-	(27 523 779)	-	81 293 614
Landfill sites	6 445 469	8 192 677	-	-	(562 212)	14 075 934
Other assets	17 387 903	1 119 298	-	-	(3 072 898)	15 434 303
	1 109 427 929	53 459 026	(608 940)	-	(62 859 682)	1 099 418 333

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	362 563	(274 129)	88 434	362 563	(207 005)	155 558

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	155 558	(67 124)	88 434

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	251 736	(96 178)	155 558

12. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	13 452 791	-	13 452 791	13 452 791	-	13 452 791

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical buildings	13 452 791	13 452 791

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical buildings	13 452 791	13 452 791

13. Other financial liabilities

At amortised cost

Performance security deposit- Utilities world	20 000 000	-
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Current liabilities

At amortised cost	20 000 000	-
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Dr Beyers Naude Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
14. Payables from exchange transactions		
Trade payables and other accruals	141 679 430	91 915 604
Payments received in advanced	453 729	453 729
Retentions	26 267	26 267
Leave pay accrual	10 211 167	9 399 976
Bonus accrual	4 726 881	4 225 388
Other payables	274 745	333 851
Salaries control	(92 331)	(74 327)
Debtors with credit balances	2 263 018	2 639 676
Stale cheques	9 204	9 204
Statutory and non-statutory deductions	14 584 260	12 916 677
	174 136 370	121 846 045
15. Payables from non-exchange transactions		
Prepayments of electricity	165 193	165 193
Unallocated receipts	567 716	3 089 371
Debtors with credit balances	810 490	1 957 240
	1 543 399	5 211 804
16. Consumer deposits		
Electricity	2 227 695	1 960 263
Water	1 063 200	1 010 853
Other sundry deposits	25 681	25 681
	3 316 576	2 996 797
No interest accrues on consumer deposits as Dr Beyers Naude Local Municipality is not a deposit taking entity in terms of the banking Act.		
17. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant - DORA	14 846	-
Rapid Response - DWA	498 615	498 615
MSIG Grant	54 998	-
Department of Water Affairs Grant	1 088 109	1 088 109
LED Grant - Fonteinbos Project	77 359	295 463
Lotto Grant	653 319	653 319
Drought relief Grant	24 067 931	-
	26 455 177	2 535 506
Movement during the year		
Balance at the beginning of the year	2 535 507	26 295 463
Additions during the year	79 371 184	67 407 717
Income recognition during the year	(55 451 514)	(91 167 674)
	26 455 177	2 535 506

Amounts withheld and clawed back by National Treasury during the 2018 financial period amount to R12 740 000.

See note for reconciliation of grants from National/Provincial Government.

Dr Beyers Naude Local Municipality

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Notes to the Annual Financial Statements

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18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Legal proceedings	127 303	407 199	534 502
Rehabilitation of Landfill sites	21 652 000	963 000	22 615 000
	21 779 303	1 370 199	23 149 502

Reconciliation of provisions - 2018

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitation of landfill sites	13 903 886	7 748 114	-	21 652 000
Legal proceedings	149 255	-	(21 952)	127 303
	14 053 141	7 748 114	(21 952)	21 779 303
Non-current liabilities			22 615 000	21 652 000
Current liabilities			534 502	127 303
			23 149 502	21 779 303

Legal proceedings provisions

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Rehabilitation of landfill sites

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act no.73 of 1989 to rehabilitate landfill sites after use. Some of the sites are expected to be closed in 2022, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The following assumption were used when calculating the provision for landfill Site rehabilitation:

- The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives, the ground and ground water on the entire site are thus considered to be contaminated and not just the portion in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portion used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

The municipality does not have licences for the landfills therefore the sites will need to be rehabilitated in their entirety.

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19. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan and Long service award

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(52 927 311)	(39 690 087)
Present value of long service award	(10 368 436)	(9 681 683)
	(63 295 747)	(49 371 770)
Non-current liabilities	(60 303 039)	(46 172 111)
Current liabilities	(2 992 708)	(3 199 659)
	(63 295 747)	(49 371 770)

Changes in the present value of the employee benefit obligation are as follows:

Opening balance	(52 738 204)	(49 371 770)
Benefits paid	1 467 860	1 428 860
Net expense recognised in the statement of financial performance	(16 222 316)	(4 795 294)
	(67 492 660)	(52 738 204)

Net expense recognised in the statement of financial performance

Current service cost	(2 782 721)	(2 848 006)
Interest cost	(4 589 438)	(5 316 944)
Actuarial (gains) losses	(8 850 157)	3 369 656
	(16 222 316)	(4 795 294)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,27 %	9,81 %
Consumer price inflation rate used	6,19 %	6,14 %
Health care cost inflation rate used	7,69 %	7,64 %
Net discount rate used	2,40 %	2,02 %

The PA 90-2 post-retirement mortality table used for pensioners and SA85-90 (Normal) for active employees.

Proportion married for active employees 100% of married and 90% of single in-service members and for pensioners the actual marital status is used.

Average age of Continuation pensioners as at 30 June 2019 was 71.09, with an average employer monthly contribution of R3,436.

Number of active employees: 278

Average age of active employees as at 30 June 2019 was 44.45, with an average employer monthly contribution of R3,077.

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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19. Employee benefit obligations (continued)

Defined contribution plan

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2019 by One Pangaea Financial using the Projected Unit Credit Method.

Long Service Award Provision

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.

The actuarial valuation of the long service awards accrued liability was carried out by ONE PANGAEA expertise & solutions. The assumptions used in the valuation are outlined below:

Key Assumptions:

1. Salary increase rate at 5.24% (2018 - 6.37%)
2. The mortality rate of SA 85 - 90.
3. Normal retirement age of 65 years.
4. Assumed retirement age is 63 years.
5. CPI rate is 4.24% (2018 - 5.37%)
6. Discount rate used 7.87% (2018 - 8.70%).
7. Net Discount rate used 2.50% (2018 - 2.19%)

20. Service charges

Sale of electricity	101 937 811	99 192 591
Sale of water	25 698 620	20 735 296
Sewerage and sanitation charges	10 422 352	10 224 033
Refuse removal	11 567 867	7 925 626
	149 626 650	138 077 546

21. Agency services

eNATIS Commission	1 873 578	671 174
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22. Investment revenue

Interest Earned - Outstanding Debtors

Outstanding debtors	5 416 245	9 550 406
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Interest received - Investments

Bank	633 552	1 919 091
	6 049 797	11 469 497

23. Rental of facilities and equipment

Premises

Rental of facilities and equipment	855 164	788 339
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Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
24. Other Revenue		
Sales - AVGAS & Paraffin	281 097	443 121
Building Plan Fees	171 796	254 216
Commission Received	241 263	205 581
Tender deposits	148 529	81 526
Connections - Electricity	810 465	1 259 367
Burial and Cemetery fees	85 048	33 805
Library Fees	37 638	36 432
Valuation Certificates	242 894	176 920
Sundry Income	3 552 427	1 017 136
	5 571 157	3 508 104

Sundry income represents a wide range of revenue items which is not considered material to warrant separate disclosure in the annual financial statements.

25. Licences and permits

Licences and permits	1 066 277	865 905
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Included above are Drivers licence fees and learners licence fees.

26. Property rates

Rates received

Residential	18 255 494	17 799 633
Commercial	683 925	646 115
State	6 691 290	6 296 512
Small holdings and farms	4 531 601	3 457 100
	30 162 310	28 199 360

Valuations

Residential	1 817 633 600	1 817 633 600
Commercial	502 663 854	502 663 854
State	435 866 400	435 866 400
Municipal	206 595 200	206 595 200
Small holdings and farms	4 883 512 900	4 883 512 900
Exempt	149 919 246	149 919 246
Industrial	52 352 000	52 352 000
Multiple	15 080 700	15 080 700
	8 063 623 900	8 063 623 900

The Dr Beyers Naude Local Municipality has been established in terms of section 12 of the local Government Municipal structures act of 199 (Act 117 of 1998), Government Gazette No.3717. Section 7 relating to the Valuation and Supplementary rolls states that the newly established municipality must continue to apply the valuation roll, supplementary roll, property rates policy, property rates By-laws and property rates tariffs that were in force in the former areas of the merging municipalities until it adopts a new general valuation roll in terms of section 30 of the Local Government Municipality Property Act, 2004 (Act 6 of 2004)..

The new general valuation will be implemented on 01 July 2019.

Dr Beyers Naude Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Fines, Penalties and Forfeits		
Traffic fines	20 733	79 344
28. Government grants and subsidies		
Operating grants		
Equitable share	83 278 000	77 494 000
Cacadu - Fire Grant	2 169 664	925 500
Demarcation Grant	-	10 847 000
Department of Health Grant	-	1 207 547
Department of Human Settlements Grant	-	293 168
DSRAC Libraries Grant	2 307 816	2 258 000
EPWP Integrated Grant	1 032 000	1 147 933
Financial Management Grant	6 085 000	5 945 000
Sarah Baartman District Municipality - Operational Grants	300 000	200 000
SETA Training Grant	35 245	344 554
Environmental affairs grant	2 179 082	2 554 000
Municipal Management Financial support Grant	-	1 085 000
Transitional Grant	87 075	-
1% AG Grant	5 888 283	6 700 492
COGTA - Eskom Grant	-	3 721 000
Drought Relief Grant	5 952 069	468 000
MSIG Grant	1 000 002	-
Water Conservation and Demand Grant	2 621 793	-
OTP Grant	7 749 960	-
	120 685 989	115 191 194
Capital grants		
Municipal Infrastructure Grant	16 252 154	27 388 243
Integrated National Electrification Grant	4 500 000	10 916 171
Regional Bulk Infrastructure Grant	5 048 128	16 691 568
	25 800 282	54 995 982
	146 486 271	170 187 176
Equitable Share		
Current-year receipts	83 278 000	77 494 000
Conditions met - transferred to revenue	(83 278 000)	(77 494 000)
	-	-

In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it.

The Equitable Share grant also provides funding for the municipality to deliver free basic services to poor households and subsidise the cost of administration and other core services for the municipality.

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Figures in Rand	2019	2018
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28. Government grants and subsidies (continued)

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	15 226 243
Current-year receipts	16 267 000	20 902 000
Conditions met - transferred to revenue	(16 252 154)	(27 388 243)
Amounts withheld and clawed back by National Treasury	-	(8 740 000)
	14 846	-

Conditions still to be met - remain liabilities (see note 17).

The municipality upgraded streets, stormwater, bulk water, high mast lighting and waste water treatment works during the current financial year.

Rapid Response Grant - DWA

Balance unspent at beginning of year	498 615	498 615
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Conditions still to be met - remain liabilities (see note 17).

DSRAC Libraries Grant

Current-year receipts	2 307 816	2 258 000
Conditions met - transferred to revenue	(2 307 816)	(2 258 000)
	-	-

This grant was received from the Department of Sport, Recreation, Arts and Culture. This grant is used to support the maintenance of the library.

Department of Health Grant

Current-year receipts	-	1 207 547
Conditions met - transferred to revenue	-	(1 207 547)
	-	-

Department of Human Settlements Grant

Current-year receipts	-	293 168
Conditions met - transferred to revenue	-	(293 168)
	-	-

Regional Bulk Infrastructure Grant

Current-year receipts	5 048 128	16 691 568
Conditions met - transferred to revenue	(5 048 128)	(16 691 568)
	-	-

SETA Training Grant

Current-year receipts	35 245	344 554
Conditions met - transferred to revenue	(35 245)	(344 554)
	-	-

Dr Beyers Naude Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Government grants and subsidies (continued)		
Financa Management Grant		
Current-year receipts	6 085 000	5 945 000
Conditions met - transferred to revenue	(6 085 000)	(5 945 000)
	-	-
The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements, audit improvement and mSCOA implementations.		
Integrated National Electrification Grant		
Balance unspent at beginning of year	-	6 116 170
Current-year receipts	4 500 000	4 800 000
Conditions met - transferred to revenue	(4 500 000)	(8 716 170)
Amounts withheld and clawed back by National Treasury	-	(2 200 000)
	-	-
Sarah Baartman district - Fire services Grant		
Current-year receipts	2 169 664	925 000
Conditions met - transferred to revenue	(2 169 664)	(925 000)
	-	-
Demarcation Grant		
Current-year receipts	-	10 847 000
Conditions met - transferred to revenue	-	(10 847 000)
	-	-
MSIG		
Current-year receipts	1 055 000	-
Conditions met - transferred to revenue	(1 000 002)	-
	54 998	-
Conditions still to be met - remain liabilities (see note 17).		
Sarah Baartman District Municipality - Operational Grant		
Current-year receipts	300 000	200 000
Conditions met - transferred to revenue	(300 000)	(200 000)
	-	-
1% AG Grant		
Current-year receipts	5 888 283	6 700 492
Conditions met - transferred to revenue	(5 888 283)	(6 700 492)
	-	-

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Government grants and subsidies (continued)		
Expanded Public Works Programme Integrated Grant		
Balance unspent at beginning of year	-	1 564 933
Current-year receipts	1 032 000	1 383 000
Conditions met - transferred to revenue	(1 032 000)	(1 383 000)
Amount withheld and clawed back National Treasury	-	(1 564 933)
	-	-
This grant is used pay stipends for unemployed youths through the EPWP programme.		
Department of Water Affairs Grant		
Balance unspent at beginning of year	1 088 109	1 088 109
Conditions still to be met - remain liabilities (see note 17).		
Local Economic Development Grant - Fonteinbos Project		
Balance unspent at beginning of year	295 463	295 463
Conditions met - transferred to revenue	(218 104)	-
	77 359	295 463
Conditions still to be met - remain liabilities (see note 17).		
National Lottery Fund		
Balance unspent at beginning of year	653 319	653 319
Conditions still to be met - remain liabilities (see note 17).		
Environmental affairs grant		
Current-year receipts	2 179 082	2 554 000
Conditions met - transferred to revenue	(2 179 082)	(2 554 000)
	-	-
Financial Management Financial Support Grant		
Current-year receipts	-	1 085 000
Conditions met - transferred to revenue	-	(1 085 000)
	-	-
Transitional Grant		
Current-year receipts	87 075	-
Conditions met - transferred to revenue	(87 075)	-
	-	-

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Figures in Rand	2019	2018
28. Government grants and subsidies (continued)		
COGTA - Eskom Grant		
Current-year receipts	-	3 721 000
Conditions met - transferred to revenue	-	(3 721 000)
	-	-
OTP Grant		
Current-year receipts	7 749 960	-
Conditions met - transferred to revenue	(7 749 960)	-
	-	-
Water Conservation and Demand Grant		
Current-year receipts	2 621 793	-
Conditions met - transferred to revenue	(2 621 793)	-
	-	-
Drought Relief Grant		
Current-year receipts	30 020 000	468 000
Conditions met - transferred to revenue	(5 952 069)	(468 000)
	24 067 931	-
Conditions still to be met - remain liabilities (see note 17).		
29. Public contributions and donations		
Sarah Baartman District Municipality	1 031 996	-

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30. Employee related costs

Basic	115 418 633	100 826 857
Bonus	8 310 591	7 385 867
Medical aid - company contributions	5 848 532	5 340 680
Unemployment Insurance Fund	848 823	810 531
Workmens Compensation	-	717
Skills Development Levy	1 378 925	1 272 499
Other payroll levies	56 547	52 099
Pension fund contributions	18 259 315	14 316 238
Travel, motor car, accommodation, subsistence and other allowances	2 192 427	1 774 638
Overtime payments	5 766 925	4 835 999
Housing benefits and allowances	1 250 325	1 182 051
Overall allowances	17 199	361 115
	159 348 242	138 159 291

Remuneration of Municipal Manager

Annual Remuneration	1 060 414	960 897
Contributions to UIF, Medical and Pension Funds	1 784	1 487
Allowances	184 800	267 903
	1 246 999	1 230 287

Remuneration of Chief Finance Officer

Annual Remuneration	1 100 706	870 181
Allowances	40 800	34 000
Contributions to UIF, Medical and Pension Funds	1 784	1 487
	1 143 290	905 668

Remuneration of Acting Director - Corporate Services

Annual Remuneration	485 004	804 382
Allowances	275 902	145 200
Contributions to UIF, Medical and Pension Funds	1 785	1 636
	762 691	951 218

Remuneration of the Director - Planning and Engineering

Annual Remuneration	1 115 837	890 111
Allowance	160 800	120 000
Contributions to UIF, Medical and Pension Funds	115 963	63 049
	1 392 600	1 073 160

Remuneration of Director - Community Services

Annual Remuneration	933 169	750 181
Allowances	184 800	154 000
Contributions to UIF, Medical and Pension Funds	1 784	1 487
	1 119 753	905 668

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31. Remuneration of councillors

Councillors	9 369 934	9 324 299
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In-kind benefits

Councillors	Remuneration	Allowances	Total
			2019
Mayor - Cllr D.W.S. De Vos	496 650	367 539	864 189
Speaker - Cllr T.L. Nonnies	281 157	302 921	584 078
Executive Committee - Cllr P.W. Koeberg	258 505	128 903	387 408
Executive Committee - Cllr S.J. Graham	231 460	118 057	349 517
Executive Committee - Cllr N.P. Vanda	258 505	128 903	387 408
Executive Committee - Cllr E.L. Look	258 505	128 903	387 408
MPAC Chairperson - Cllr W.J. Safers	250 917	126 423	377 340
Cllr D. Williams	195 519	108 314	303 833
Cllr E.A. Ruiters	195 519	108 314	303 833
Cllr W.Z. Le Grange	195 519	108 314	303 833
Cllr A. Mboneni	195 519	108 314	303 833
Cllr E.A. Carolus	195 519	108 314	303 833
Cllr A. Booysen	195 519	108 314	303 833
Cllr H. Booysen	195 519	108 314	303 833
Cllr B.W. Seekoei	195 519	108 314	303 833
Cllr L.M. Botha	128 121	80 999	209 120
Cllr K. Hoffman	195 519	108 314	303 833
Cllr X.N. Galada	195 519	108 314	303 833
Cllr G.C. Mackelina	195 519	108 314	303 833
Cllr T.M. Tshona	195 519	108 314	303 833
Cllr R.B. Jacobs	195 519	108 314	303 833
Cllr P. Bees	195 519	108 314	303 833
Cllr L.L. Langeveldt	195 519	108 314	303 833
Cllr A. Arries	195 519	108 314	303 833
Cllr D.J. Bezuidenhout	195 519	108 314	303 833
Cllr E.V.R. Rossouw	195 519	108 314	303 833
Cllr J.J. Williams	195 519	108 314	303 833
Cllr R.L. Smith	32 429	18 210	50 639
	5 911 110	3 458 824	9 369 934

Councillors	Remuneration	Allowances	Total
			2018
Mayor - Cllr D.W.S. De Vos	477 548	362 763	840 311
Speaker - Cllr T.L. Nonnies	382 039	299 090	681 129
Executive Committee - Cllr P.W. Koeberg	249 764	127 655	377 419
Executive Committee - Cllr S.J. Graham	249 764	127 655	377 419
Executive Committee - Cllr N.P. Vanda	249 764	127 655	377 419
Executive Committee - Cllr E.L. Look	249 764	127 655	377 419
MPAC Chairperson - Cllr W.J. Safers	242 432	125 211	367 643
D Williams	188 908	107 369	296 277
EA Ruiters	188 908	107 369	296 277
WZ Le Grange	188 908	107 369	296 277
A Mboneni	188 908	107 369	296 277
EA Carolus	188 908	107 369	296 277
A Booysen	188 908	107 369	296 277
H Booysen	188 908	107 369	296 277
BW Seekoei	188 908	107 369	296 277
LM Botha	188 908	107 369	296 277
K Hoffman	188 908	107 369	296 277
XN Galada	188 908	107 369	296 277
GC Mackelina	188 908	107 369	296 277

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Figures in Rand	2019	2018
31. Remuneration of councillors (continued)		
TM Tshona	188 908	107 369
RB Jacobs	188 908	107 369
P Bees	188 908	107 369
LL Langeveldt	188 908	107 369
A Arries	188 908	107 369
DJ Bezuidenhout	188 908	107 369
EVR Rossouw	188 908	107 369
JJ Williams	188 908	107 369
	5 879 235	3 445 064
		9 324 299
The Remuneration of Councillors is based on the upper limit as per the Government Gazette.		
32. Debt impairment		
Debt impairment	31 954 904	8 717 237
Bad debts written off	5 105 366	1 359 667
	37 060 270	10 076 904
Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.		
33. Depreciation and amortisation		
Property, plant and equipment	55 839 988	62 859 682
Intangible assets	67 125	96 178
	55 907 113	62 955 860
34. Impairment loss		
Impairments		
Property, plant and equipment	434 705	-
During the year, items of property, plant and equipment were impaired due to loss and damage of assets.		
35. Finance costs		
Long service award	760 193	880 104
Post employment medical benefit	3 829 245	3 676 697
Trade and other payables	2 398 541	2 681 658
	6 987 979	7 238 459
36. Bulk purchases		
Electricity	89 282 025	81 207 643

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37. General expenses		
Adjustment for provision of landfill sites obligation	1 070 524	7 748 114
Advertising	612 066	750 727
Audit committee	141 310	106 499
Auditors remuneration	5 481 234	6 957 827
Bank charges	739 410	984 432
Cleaning	2 478 209	3 853 823
Commission paid	224 697	919 825
Conferences and seminars	4 970 781	22 407 438
Consumables	562 628	661 070
Delivery expenses	1 155 111	631 757
Entertainment	17 893	115 935
Insurance	1 284 307	1 055 658
Inventory losses and write downs	915 977	18 178
Legal fees	1 900 554	785 707
Levies	94 219	89 880
Motor vehicle expenses	5 861 796	5 221 599
Municipal service charges	17 641 334	18 003 542
Postage and courier	905 369	873 109
Project maintenance costs	2 637	174 614
Repairs and Maintenance	6 548 837	7 323 818
Staff welfare	16 209	17 614
Subscriptions and membership fees	1 554 219	1 463 534
Telephone and fax	4 004 094	3 905 718
Testing samples	453 425	576 724
Training	1 016 815	337 109
Travel and subsistence	2 871 185	3 358 406
	62 524 840	88 342 657
38. Contracted services		
Accounting Services	854 614	-
Consultancy Services	5 617 346	2 067 731
Contracted services	8 617 903	3 897 685
	15 089 863	5 965 416
39. Gain/ (loss) on disposal of assets and liabilities		
Loss on disposal of property, plant and equipment	583 068	(598 840)
40. Acturial (loss)/ gain and release from obligation		
Acturial (loss) / gain	(8 820 185)	3 369 656
Release from obligation	152 238	187 288
	(8 667 947)	3 556 944

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41. Cash generated from operations		
Deficit	(101 345 917)	(45 631 038)
Adjustments for:		
Depreciation and amortisation	55 907 113	62 955 860
Gain on sale of assets and liabilities	417 536	598 840
Bad debts	37 060 270	10 076 904
Changes in working capital:		
Inventories	1 251 492	(490 573)
Receivables from exchange and non-exchange	(29 428 178)	(11 176 234)
Other Receivables	-	(12 500 610)
Payables from exchange transactions	44 657 936	39 856 863
VAT	(11 553 733)	(2 131 066)
Unspent conditional grants and receipts	23 919 671	(23 759 956)
Consumer deposits	319 780	85 732
Provision and employee benefits	15 294 176	10 332 453
	36 500 146	28 217 175

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42. Prior period errors

During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected retrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.

RECEIVABLES FROM EXCHANGE TRANSACTIONS: The error was as a result of impairment of debtors being incorrectly calculated. Therefore that error has been corrected in the current year. Also a reclassification was done to ensure consumer debtors are mapped alone separately from other receivables.

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS: There was a reclassification done to ensure property rates are mapped separately from other receivables.

OTHER RECEIVABLES: There was a reclassification done to ensure consumer debtors are not mapped together with other receivables.

CASH AND CASH EQUIVALENTS: The error was as a result of statutory and non statutory deduction being processed through the cashbook while they were outstanding at year-end. Therefore a correction journal has been passed to move them to payables from exchange transactions as accruals at year end.

PROPERTY, PLANT AND EQUIPMENT: The adjustment is as a result of adjusting the opening balance of prior year infrastructure assets due to capitalisation of infrastructure which were completed in the 2016/17 financial period but were never capitalised. Another adjustment was done to capitalised infrastructure assets which were completed in the 2017/18 financial period.

PAYABLES FROM EXCHANGE TRANSACTIONS: As a result of challenges experienced during amalgamation, creditors have been stated as provisional amounts. However in the current period those creditors have been corrected, thus prior period journals have been passed correcting both the opening balance and closing balance of creditors..

BANK OVERDRAFT: The error was as a result of statutory and non statutory deduction being processed through the cashbook while they were outstanding at year-end. Therefore a correction journal has been passed to move them to payables from exchange transactions as accruals at year end.

VAT RECEIVABLES: The adjustment is as a result of prior year incorrect creditors being corrected via a journal.

SERVICES CHARGES: This adjustment was a result of reclassifying indigent subsidy balances which were incorrectly mapped in general expenditure instead of reducing the revenue raised.

FINES, PENALTIES AND FORFEITS: This adjustment was as a result of reclassifying fines which were incorrectly mapped as other income in prior year financial statements.

Release from obligation: This is resulting from debt that has prescribed in prior year, however was never taken into account. Therefore a correction journal has been processed to correct the error.

DEBT IMPAIRMENT: The adjustment is as a result of an error on the impairment journal that was passed into the system prior year. This has been corrected by reversing the incorrect journal and passing the correct one.

DEPRECIATION AND AMORTISATION: The adjustment is as a result of adjusting the opening balance of prior year infrastructure assets due to capitalisation of infrastructure which were completed in the 2016/17 financial period but were never capitalised. Another adjustment was done to capitalised infrastructure assets which were completed in the 2017/18 financial period. Therefore this had some depreciation implications.

The correction of the error(s) results in adjustments as follows:

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Annual Financial Statements for the year ended 30 June 2019

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42. Prior period errors (continued)

STATEMENT OF FINANCIAL POSITION

	Previously reported	Correction of error	Reclassification	Restated 2018
VAT Receivable	2 263 501	(132 435)	-	2 131 066
Inventories	6 943 507	-	-	6 943 507
Other Receivables	4 500 627	(2 895 430)	2 111 534	3 716 731
Receivables from non-exchange transactions	5 437 406	-	(337 220)	5 100 186
Receivables from exchange transactions	28 874 343	(4 451 230)	(1 774 314)	22 648 799
Cash and cash equivalents	1 005 761	1 022 329	-	2 028 090
Total current assets	49 025 145	(6 456 766)	-	42 568 379

Investment property	67 783 409	-	-	67 783 409
Property, plant and equipment	1 099 664 216	(245 883)	-	1 099 418 333
Intangible assets	155 558	-	-	155 558
Heritage assets	13 452 791	-	-	13 452 791
Total Non-current assets	1 181 055 974	(245 883)	-	1 180 810 091
TOTAL ASSETS	1 181 055 974	(245 883)	-	1 180 810 091

Liabilities

Payables from exchange transactions	(121 479 437)	(366 608)	-	(121 846 045)
Payables from non-exchange transactions	(5 211 804)	-	-	(5 211 804)
Bank overdraft	(11 894 348)	11 894 348	-	-
Consumer deposits	(2 996 796)	-	-	(2 996 796)
Unspent conditional grants and receipts	(2 535 507)	-	-	(2 535 507)
Provisions	(127 303)	-	-	(127 303)
Employee benefits	(3 199 659)	-	-	(3 199 659)
Total current liabilities	(147 444 854)	11 527 740	-	(135 917 114)

Provisions	(21 652 000)	-	-	(21 652 000)
Employee benefits	(46 172 111)	-	-	(46 172 111)
Total Non-current liabilities	(67 824 111)	-	-	(67 824 111)
	(67 824 111)	-	-	(67 824 111)

TOTAL ASSETS	1 230 081 119	(6 702 649)	-	1 223 378 470
TOTAL LIABILITIES	(215 268 965)	11 527 740	-	(203 741 225)
NET ASSETS	1 014 812 154	4 825 091	-	1 019 637 245
Accumulated surplus	1 014 812 154	4 825 091	-	1 019 637 245

STATEMENT OF FINANCIAL PERFORMANCE

	Previously reported	Correction of error	Reclassification	Restated 2018
Property rates	31 809 377	(96 730)	(3 513 287)	28 199 360
Service charges	153 904 529	(876 356)	(14 950 627)	138 077 546
Fines, Penalties and forfeits	78 849	-	495	79 344
Government grants and Subsidies	170 187 176	-	-	170 187 176
Agency services	671 174	809 051	-	1 480 225
Interest received	9 550 406	-	-	9 550 406
Interest received - Investment	1 919 091	-	-	1 919 091
Rental of facilities and equipment	788 339	9 900	-	798 239
Other income	3 118 956	-	388 755	3 507 711
Licences and permits	865 905	38 478	-	904 383

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
42. Prior period errors (continued)				
Total Revenue	372 893 802	(115 657)	(18 074 664)	354 703 481
Employee costs	(138 171 291)	-	12 000	(138 159 291)
Remuneration of councillors	(9 324 299)	-	-	(9 324 299)
Debt impairment	(5 625 674)	(4 451 230)	-	(10 076 904)
Depreciation and amortisation	(62 710 848)	(245 011)	-	(62 955 859)
Finance costs	(7 228 759)	(9 700)	-	(7 238 459)
Bulk purchases	(81 207 643)	-	-	(81 207 643)
General expenses	(110 752 250)	2 094 939	20 314 654	(88 342 657)
Contracted services	(3 897 685)	173 711	(2 241 442)	(5 965 416)
Loss on disposal of assets and liabilities	(598 840)	-	-	(598 840)
TOTAL EXPENDITURE	(419 517 289)	(2 437 291)	18 085 212	(403 869 368)
Deficit for the year before:	(46 623 487)	(2 552 948)	-	(49 176 435)
Acturial gain/ (Loss) for the year	3 369 656	-	-	3 369 656
Release from obligation	-	187 288	-	187 288
Deficit for the year	(43 253 831)	(2 365 660)	-	(45 619 493)
CASH FLOW STATEMENT				
	Previously stated	Correction of error	Reclassification	Restated 2018
Government grants and subsidies	170 187 176	-	-	170 187 176
Rates and services	160 744 795	2 054 959	(19 435 148)	143 364 606
Interest income	11 469 497	-	-	11 469 497
Other receipts	8 892 879	1 411 693	-	10 304 572
	351 294 347	3 466 652	(19 435 148)	335 325 851
Employee cost	(147 495 590)	2 457 618	12 000	(145 025 972)
Suppliers	(181 269 679)	7 002 106	19 423 328	(154 844 245)
Finance cost	(7 228 759)	(9 700)	-	(7 238 459)
Net cash flows from operating activities	15 300 319	12 916 676	180	28 217 175
Cash flow from investing activities				
Purchase of property, plant and equipment	(53 459 027)	-	-	(53 459 027)
Proceeds from sale of property, plant and equipment	10 100	-	-	10 100
Net cash flows from Financing activities	(53 448 927)	-	-	(53 448 927)
Cash flow from Financing activities				
Movement from Finance lease	(194 770)	-	-	(194 770)
Net increase/(decrease) in cash and cash equivalents	(38 343 198)	12 916 676	-	(25 426 522)
Cash and cash equivalents at the beginning of the year	27 454 611	-	-	27 454 611
Cash and cash equivalents at the end of the year	(10 888 587)	12 916 676	-	2 028 089
Accumulated Surplus/ Deficit				
Cash and cash equivalents				12 916 677
Receivables from exchange transactions				(828 122)
VAT Receivable				(132 435)
Property, plant and equipment				(245 883)
Payables from exchange transactions				(6 885 147)
Revenue from exchange transactions				(145 873)
Revenue from non-exchange transactions				96 730
Expenditure				2 426 350
				7 202 297

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43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	46 869 135	42 604 738
Total capital commitments		
Already contracted for but not provided for	46 869 135	42 604 738
The committed expenditure relates to Infrastructure and will be financed by Government Grants and own resources.		
44. Unauthorised expenditure		
Opening balance	182 219 561	164 449 999
Add: Unauthorised expenditure - current year	63 612 000	17 769 562
	245 831 561	182 219 561
45. Fruitless and wasteful expenditure		
Opening balance	8 431 856	6 788 949
Add: Fruitless and wasteful expenditure - current year	7 813 364	1 642 907
Less: Reversal of interest	(6 403 302)	-
	9 841 918	8 431 856
Details of Fruitless and Wasteful Expenditure		
Interest charged by Telkom	75 791	22 352
Interest charged by Auditor General	208 986	-
Interest Charged by Eskom	5 618 377	646 891
SARS penalties	1 665 155	959 104
Intelligent irrigation	13 932	-
Government Printing works	6 909	-
Penalties charged by SALA Pension Fund	162 272	10 179
Penalties charged by LA Retirement Fund	118	-
Interest charged by Zaaymans Garage	-	184
Interest charged by Piet Viljoen Motors	14 504	4 197
Interest charged by TAC Wholesale and supply	320	-
Interest charge by XIPE Totec Technologies - XTT	158	-
Interest charged by SUPA Quick	8 702	-
Interest charged by Rural Development and Land Reform	30	-
Interest charged by REVCO	21 444	-
Interest charged by Mesh Steel and Weld	16 433	-
Interest charged by Prodiba	29	-
Interest charged by Midland Ford garage	68	-
Interest charged by Hardware & building supplies	136	-
	7 813 364	1 642 907
46. Irregular expenditure		
Opening balance	140 863 736	130 596 091
Less: reclassification of amount included in opening balance	-	(40 026 722)
Less: Amount written off by council	(79 432 784)	-
Add: Irregular Expenditure - current year	24 192 942	50 294 367
	85 623 894	140 863 736

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47. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services to the value of R10 849 258 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Incidents

Deviations due to Emergency procurement	937 373
Deviations due to Sole supplier procurement	2 530 811
Deviations due to impracticality of following SCM processes	7 381 074
	10 849 258

48. Related parties

Relationships

Mayor	Cllr D.W.S De Bos
Speaker	Cllr T.L Nonnies
Executive Committee	Cllr P.W Koeberg
Executive Committee	Cllr S.J Graham
Executive Committee	Cllr N.P Vanda
Executive Committee	Cllr E.L Loock
MPAC Chairperson	Cllr W.J Safers
Councillor	Cllr D. Williams
Councillor	Cllr E.A Ruiters
Councillor	Cllr W.Z Le Grange
Councillor	Cllr A Mboneni
Councillor	Cllr E.A Carolus
Councillor	Cllr H Booysen
Councillor	Cllr A Booysen
Councillor	Cllr B.W Seekoei
Councillor	Cllr L.M Botha (Resigned during the year)
Councillor	Cllr K Hoffman
Councillor	Cllr X.N Galada
Councillor	Cllr G.C Mackelina
Councillor	Cllr T.M Tshona
Councillor	Cllr R.B Jacobs
Councillor	Cllr P Bees
Councillor	Cllr L.L Langeveldt
Councillor	Cllr A Arries
Councillor	Cllr D.J Bezuidenhout
Councillor	Cllr E.V.R Rossouw
Councillor	Cllr J.J Williams
Councillor	Cllr R.L Smith (Appointed during the year)
Municipal Manager	Dr. E.M Rankwana
Chief Financial Officer	H Kok
Director of planning and engineering services	W.I Berrington
Acting Director of Corporate Services	Z. Kali
Acting Director of Community Services	S.L Mvunelwa
District Municipality which Dr Beyers Naude Local Municipality is a part of:	Sarah Baartman District Municipality
Name of related person and designation:	Description of related party relations:

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48. Related parties (continued)

Piet Bees - Councillor

Clive Warner - Assistant Manager
Ivan Japtha - Law enforcement Officer
Logan Cudjoe - Accountant expenditure
Rory Boggenpoel - Manager
Hildegard Wessels - HR Officer: Recruitment
Ivor Berrington - Director: Planning and Engineering
Melanie Berrington - Administration Officer
Colin Abels - Health Practitioner
Surayda Kemp - Official
Cheslyn Bezuidenhout - Official

Wakz Tyre Trading repairs - Member
Ezamampinga Construction - Member
Electrical Motor Rewinders - Son
Japtha Transport - Owner
RAC Transport - Spouse
RBG Ithema - Owner
Camdeboo Funeral services - Director/Partner
Berrington Family Trust & Uitkomst Trust - Trustee
Berrington Family Trust & Uitkomst Trust - Trustee
Welkom Yizani - Shareholder
Vivians Enterprise - Belongs to mother
C.E.B Transport & CEB Harvest Foundation - Owner

The mayor and councillors only received remuneration as set out in Note 26. Rates and municipal services were in line with other customers, see note 6.

The Section 57 managers only received remuneration as set out in Note 25. Rates and municipal services were in line with other customers.

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

Related party transactions

Purchases from (sales to) related parties

Electrical Motor Rewinder	-	410 250
Vivians Enterprise	-	3 200

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

49. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Other receivables	3 681 027	3 716 731
Receivables from non-exchange transactions	3 856 579	5 100 186
Receivables from exchange transactions	16 296 017	22 648 799
Cash and cash equivalents	24 312 902	2 028 090
Payables from exchange transactions	(174 136 370)	(121 846 045)
Payables from non-exchange transactions	(1 543 399)	(5 211 804)

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49. Risk management (continued)

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates..

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	6 861 042	5 726 571
Current year subscription / fee	1 461 269	1 334 471
Amount paid - current year	(1 341 406)	(200 000)
	6 980 905	6 861 042

PAYE and UIF

Opening balance	6 412 507	-
Current year payroll deductions	24 431 630	19 735 646
Amount paid - current year	(25 238 548)	(13 323 139)
	5 605 589	6 412 507

Pension and Medical Aid Deductions

Opening balance	1 676 140	-
Current year payroll deductions	36 248 410	18 675 055
Amount paid - current year	(30 441 188)	(16 998 915)
	7 483 362	1 676 140

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50. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding more than 90 days R	Total R
Cllr D Williams	1 277	1 277
Cllr G.C Mackelina	3 419	3 419
Cllr N.E.M Jankovich	222	222
Cllr T.L Nonnies	4 079	4 079
Cllr W.Z Le Grange	2 369	2 369
Cllr B.W Seekoei	3 268	3 268
Cllr H Booysen	2 965	2 965
Cllr E.V.R Rossouw	7 088	7 088
Cllr D.J Bezuidenhout	977	977
	25 664	25 664

30 June 2018	Outstanding more than 90 days R	Total R
Cllr G.C Mackelina	2 979	2 979
Cllr A Booysen	4 771	4 771
Cllr T.L Nonnies	2 119	2 119
Cllr P.W Koeberg	695	695
Cllr P Bees	132	132
Cllr E.V.R Rossouw	4 440	4 440
	15 136	15 136

51. Distribution losses - Electricity

Electricity losses (units)

Electricity units (kWh) purchased from Eskom	88 242 797	85 756 113
Electricity units (kWh) sold to customers	(76 028 159)	(60 485 078)
	12 214 638	25 271 035

Electricity losses occur due to inter alia, technical and non-technical losses. (Technical losses - Inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported. Electricity losses for the financial year is 13.84% (2018 - 26.47%) of purchased electricity. The Rand value of the electricity losses for the period ending 30 June 2019 is R13 253 837.

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
52. Distribution losses - Water		
Water losses (units)		
Balance at the beginning of the year in reservoirs and pipes	35 131	38 398
Water Units produced	4 730 638	3 996 783
Water Units sold	(3 325 986)	(2 951 305)
Balance at the end of the year in reservoirs and pipes	(35 131)	(35 131)
	1 404 652	1 048 745

Water losses occur due to inter alia, leakages, tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. Water losses for the financial period amounted to 29.69% (2018 - 26.22%) of water produced. The Rand value of the water losses for the period ending 30 June 2019 is R8 574 989.

53. Contingencies

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain:

Minister of water and Sanitationi (EX CLM) vs Dr Beyers Naude Local Municipality - A claim by the Minister of Water & Sanitation instituted Action against the municipality for water use charges. Municipality is unaware and cannot reconcile the alleged amounts owing. The matter will be defended.

YL Booysen vs Dr Beyers Naude Local Municipality - A claim by YL Booysen in terms of a Section 3 Notice. Alleging and claiming Damages for alleged infringement of her dignitas and fama. She is an employee of the municipality.

Phil-ANN Erasmus (EX Ikwezi) vs Dr Beyers Naude Local Municipality - A claim by Phil-Ann Erasmus was instituted against former Ikwezi Municipality and Mr Jack (employee) in 2016 for alleged damages and she obtained judgement in her favour on the merits against the municipality and employee Mr Jack on 31 March 2016 and now the Plaintiff wishing to amended the amount of damages upwards due various reasons.

Vincemus Investments (Pty) Ltd t/a Kempston vehicle leasing vs Dr Beyers Naude Local Municipality - The claim is against former Ikwezi Municipality for vehicle leasing monies owed and damages.

MD Business Solutions (Pty) Ltd t/a Massive Dynamix vs Dr Beyers Naude Local Municipality - The claim is against former Ikwezi Municipality for monies owed.

Miss E. Botha vs Dr Beyers Naude local Municipality - A claim by Miss E. Botha in terms of a Section 3 Notice, alleging and claiming damages resulting from the alleged negligence of Employees of the Municipality with regards to stray animals/ breach of duty.

MR A Witbooi vs Dr Beyers Naude Local Municipality - A claim by Mr A. Witbooi in terms of a Section 3 Notice, alleging and claiming damages due to fire damages..

JH Vermaak vs Dr Beyers Naude Local Municipality - A claim by JH Vermaak claiming damages for tripping and falling and getting injured on the Municipal pavement in Jansenville.

The table below summarises the potential financial impact of the law suits:

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Figures in Rand	2019	2018
53. Contingencies (continued)		
Minister of water and sanitation vs Dr Beyers Naude Local Municipality	720 320	
YL Booysen vs Dr Beyers Naude Local Municipality	210 000	
Robert Alexander vs Dr Beyers Local Municipality	26 988	
Phil-Ann Erasmus vs Dr Beyers Naude Local Municipality	8 129 575	
Vincemus Investments Pty (Ltd) t/a Kempton vehicle leasing vs Dr Beyers Naude Local Municipality	1 298 640	
MD Business Solutions Pty(Ltd) vs Dr Beyers Naude Local Municipality	1 938 000	
Miss E. Botha vs Dr Beyers Local Municipality	86 650	
Mr A Witbooi vs Dr Beyers Naude Local Municipality	7 241	
JH Vermaak vs Dr Beyers Naude Local Municipality	650 000	
	13 067 414	

54. Events after the reporting date

The municipality disposed of a group of assets on 10 July 2019 at a public auction. The total proceeds of the disposal amounts to R681,281 after taking into consideration commission to auctioneer.

55. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipalities current liabilities exceeds current year assets by R157 594 444 (2018 - R90 453 305). However, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality from national and provincial government. The municipality is mostly dependent on government grant to execute its legislative services to the community.